Opening of Tobacco sector for foreign investment

33. SHRI GURUDAS DAS GUPTA
SHRI J. CHITHARANJAN:

Will the Minister of INDUSTRY be pleased to state:

(a) whether Government have decided to fully open up the Tobacco sector for foreign investment; and

(b) if so, the details thereof and the reasons therefor?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT): (a) and (b) The existing guidelines for consideration of FDI proposals by FIPB do not stipulate any ceiling on the extent of foreign equity participation inter-alia in sectors pertaining to consumer non-durables, which include cigarettes. However, as there has been no precedent of 100% FDI approval in cigarettes so far, it was felt necessary to clarify the position vide Press Note No. 11 (1998 series) dated 27th August, 1998, that proposal for manufacture of cigarette with Foreign Direct Investment (FDI) upto 100% shall be considered by the Foreign Investment Promotion Board (FIPB) subject to the provisions relating to compulsory licensing under the Industries (Development & Regulation) Act, 1951. This has been done with a view to lend greater transparency in decision making.

FDI and Balanced Industrial Development

34. SHRI RAJUBHAI A. PARMAR:
SHRIMATI VEENA VERMA:
SHRI AKHILESH DAS:

Will the Minister of INDUSTRY be pleased to state:

(a) the number and details of Foreign Direct Investment proposals approved by FIPB this year, so far, alongwith the comparative figures of such investment proposals during 1997 and 1996 and the actual investments made therein;

(b) what steps have been taken to see that it does not aggravate the already recession-stricken industry in India; and

(c) what other measures have been taken for a balanced industrial development of the country, giving priority to under developed and non-industrial districts?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT): (a) A total number of 960 proposals both financial and technical have been approved this year upto October, 1998. Comparative figures of such investment proposals during 1997 and 1996 (Jan-Oct) and the actual investment made therein are as under:

Period (Jan-Oct)	Total No. of FDI approvals (Fin+Tech)	Amount Rs. in Crore	Inflows
1996	960	27489.83	4631.72
1997	1028	38257.59	8598.42
1998	960	23546.12	7340.97

(b) Various measures have been announced for growth of the economy and to boost industrial growth. Some of the important measures are:

- De-licensing of Coal and lignite and petroleum refining and sugar, to attract larger inflow of capital;
- Increase in the limit for investment by Non Resident Indians, and Foreign Institutional Investors to 40% and increase in the turnover limit in excise duty exemption for the Small Scale Industries from Rs. 30 lakhs to Rs. 50 lakhs and normal rate of 5% duty for clearance between Rs. 50 lakhs to Rs. 100 lakhs;
- Rationalisation of tariff structure to remove disadvantages faced by the domestic industry. The disadvantages on account of non-payment of sales tax by imports has been balanced by levying a special additional duty on customs @ 4%;
- Various measures to boost investment and revive capital market such as permission to buy back shares and inter corporate loans.
- Increase in plan outlay for key infrastructure sectors of energy transport and communication for development of infrastructure facilities;
- The Busy Season Credit Policy announced by Reserve Bank of India has consciously avoided raising the interest rates so that industrial recovery is not adversely affected;